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## **The Jobs for Michigan Fund** *Building the Future for All*

Michigan, today, is at a crossroads. Our economy is changing – the manufacturing jobs that once were a guarantee of a high-paying job are leaving our state. Today, Michigan is locked in a fierce competition for jobs and economic investment with 49 other states and countries around the globe. To win that competition and ensure that Michigan remains a great place to live, work, and grow a business, we must embrace this opportunity to reshape our economy.

Governor Jennifer M. Granholm has proposed a comprehensive plan to restart and reshape Michigan's 21st century economy.

To restart our economy, Governor Granholm is fighting to keep the jobs we have and put people back to work today. Her economic plan includes the first significant restructuring of the Single Business Tax in 30 years; a Jobs Today plan that will rebuild Michigan's infrastructure and create tens of thousands of jobs over the next three years; and the MiOpportunity Partnership that will train unemployed workers for the unfilled positions in our state.

To reshape our economy, the Governor has proposed the New Merit Scholarship to ensure that every child in Michigan has the opportunity to attend college. And, she has called for **The Jobs for Michigan Fund** to spark new investment and create new jobs in our state.

The Jobs for Michigan Fund is a bold plan to diversify the state's economy and grow jobs by investing in four competitive-edge technologies: life sciences, alternative energies, advanced automotive and materials manufacturing, and homeland security and defense. These are sectors and technologies in which Michigan is a strong competitor or that provide our state with the clearest path to accelerating our economy.

Governor Granholm believes the state that produces the most technologically-advanced product most people will ever purchase – the 21<sup>st</sup> century motor vehicle – should also be the state that produces the fuel cell, the alternative energies and clean technologies that could make the nation independent of foreign oil. And, by investing in our state's future, we will stop the brain drain that goes along with young people leaving the state for good paying jobs in Chicago, New York, and Boston.

If approved by voters in November, the Jobs for Michigan Fund will provide \$2 billion over the next 10 years to create thousands of jobs for people from all walks of life – from lab technicians in white coats to manufacturing personnel in blue collars. And, it will do it **without** raising taxes. The fund will be used to diversify and grow the state's economy by focusing the state's resources in four areas:

- **Investment in diversification and business development:** Accelerating the pace of commercialization and giving start-up companies a foothold in the market place;
- **Talent attraction:** Bringing and keeping the best research and scientific and business minds to work on our university campuses and to assist our start-up companies with business plans and development;
- **Leveraging federal grants:** Giving Michigan research institutions and technology companies the matching funds they need to bring more federal research dollars and technology innovation funds to Michigan;
- **Research:** Increasing the amount of research, development, and innovation taking place in our universities, companies, and nonprofit research institutions.

High stakes and global competition make this a time for action. Other states are already passing initiatives that use bonds to retool their economies and attract new businesses and jobs. It is time to build upon our strengths and invest in our future by establishing the Jobs for Michigan Fund now.

## **CREATING THE JOBS FOR MICHIGAN FUND**

Governor Jennifer M. Granholm is asking the Legislature to put a constitutional amendment before the voters in November 2005 to create the Jobs for Michigan Fund.

With voter approval, the state will use \$2 billion in bond proceeds over the next decade, the proceeds of which will be invested in new jobs in high-tech, high-growth sectors of the economy.

The Jobs for Michigan Fund will target four competitive edge technologies:

- Life Sciences
- Alternative Energies
- Advanced Automotive, Manufacturing and Materials
- Homeland Security and Defense

The Jobs for Michigan Fund will focus on four key strategies:

### **1. Growing competitive edge technology jobs through investment.**

Michigan can expand upon the success of Technology Tri-Corridor and Life Sciences Corridor by increasing investments that will help competitive edge businesses get technology-based products ready for the market. In addition, the state will provide “pre-seed funding” – the capital that entrepreneurs and technology start-ups need to start and grow their operations.

### **2. Attracting and retaining scientific and business companies needed to succeed.**

A portion of the bond proceeds will be used to attract top scientists and researchers to our universities who in turn will bring more research dollars into Michigan.

In addition, by funding mechanisms such as Entrepreneurs in Residence, adjunct professorships, and technology consultants, we can bring additional executive-level talent and guidance that young start-up technology companies need to grow.

### **3. Attracting more federal dollars for research and development.**

The Jobs for Michigan Fund will provide a 10 percent match to public and private universities, nonprofit research institutions and competitive edge technology companies which are able to attract competitively-awarded federal research dollars within the targeted technologies. Only new and competitively-awarded federal research projects will be eligible for funding and priority will be given to projects or centers that have as a clear part of their mission the commercialization of research undertaken as part of the grant.

#### **4. Investing in research.**

A portion of bond proceeds will be invested in basic and applied research being done at universities, nonprofits and private companies in Michigan. This funding will produce the research breakthroughs that create innovative commercial products and the jobs that go with them.

## **IMPLEMENTING THE JOBS FOR MICHIGAN FUND**

In addition to voter approval of the Constitutional amendment, implementing the Jobs for Michigan Fund will require the Legislature to pass enabling legislation establishing the Jobs for Michigan Fund.

The implementing legislation:

### **Outlines spending of bond proceeds and identifies method of repayment**

- \$2 billion in general obligation bonds to be spent over 10 years.
- Up to 20 percent of proceeds can be expended in 2006, with up to an additional 10 percent in each of the next eight years.
- No taxes will be raised to pay for this program. In fact, the legislation specifically prohibits the Jobs for Michigan Fund from levying or raising any taxes.
- Debt service on the bonds will be paid first from a combination of sources, including tobacco settlement funds otherwise set aside for Life Sciences and Technology Tri-corridor funding, returns from pre-2006 Life Sciences/Technology Tri-Corridor activities, and returns from Jobs for Michigan Fund program activities.

### **Focuses activities and programs on job creation in competitive edge technologies**

- Provides grants and/or loans for basic and applied research in competitive edge technologies, commercialization opportunities, the attraction and retention of scientific talent in competitive edge technologies, and the attraction of federal research grants.
- No more than 10 percent of bond proceeds can be spent on basic research to ensure that money is targeted at commercialization opportunities.
- Between 20 and 35 percent of bond proceeds must be spent on life sciences, ensuring that previous commitments to life sciences spending are met in a shorter amount of time.
- No more than 15 percent of bond proceeds may be invested in Michigan competitive edge technology companies and only through private investment management companies.

### **Creates a process free of bureaucracy and politics**

- Research and commercialization funding will be awarded only after a peer review process, involving experts in competitive edge technology which identifies those projects with the strongest scientific basis and the greatest potential for market success and job creation.

- Investment decisions will be made only through private equity and venture capital management firms. This requirement ensures that the state will share equity with private investors who are able to leverage state dollars to fuel additional investments in Michigan-based competitive edge technology businesses.
- An annual audit of bond proceed expenditures is required to be posted on the Internet and made available to the public creating transparency and accountability.

## **GROWING THE JOBS OF THE FUTURE IN MICHIGAN**

### **Asterand – Detroit:**

Asterand is a privately held company founded in 2000 and located in the Wayne State SmartZone. Asterand operates a world bank of genetic information – a crucial basic resource needed by researchers seeking to unlock the genetic causes of major diseases that affect mankind. Researchers from all over the world are able to order genetic samples on which they can perform experiments leading to new discoveries for major diseases, including cancer, cardiovascular disease, diabetes, rheumatoid arthritis, and neurological conditions.

### **I.C. Tech – Okemos:**

I.C. Tech emerged from a university-based research corporation, with its roots in space technology. In cooperation with NASA, the company has done some critical work in the area of space navigation and is now moving into the field of voice and face recognition. The concept combines biometric identification with a recorded transcript. Dr. Gail Erten, CEO, has developed a dynamic user authentication process which will deny most attempts of identity theft. The company is also researching cellular image sensor processor chips which may make biologically inspired artificial vision a reality.

### **Kalexsyn – Kalamazoo:**

Two former Pfizer/Pharmacia scientists founded Kalexsyn, Inc. in 2004 after Pfizer reduced its research and development operations in Kalamazoo. Rather than move from the area, they started a company (Kalexsyn is a contraction of *Kalamazoo Experts in Synthesis*) to provide research services for early phases of drug discovery. In order to reduce costs and speed up the drug development process, large pharmaceutical companies can no longer afford to perform R&D work themselves. The research services provided by Kalexsyn provide these companies with valuable services that help them improve their drug's chances for success with clinical trials and FDA approval.

### **SensiGen – Ann Arbor:**

In partnership with the University of Michigan, SensiGen Corporation is commercializing a diagnostic test to detect kidney damage at its earliest stage in diabetes and hypertension in order to prevent serious kidney disease. The current kidney diagnostic test on the market only becomes positive after extensive kidney damage has taken place. In contrast, SensiGen's technology becomes positive when only a few kidney cells have been damaged, in some cases, 10 years earlier than the current test.

### **Sordal Incorporated – Holland:**

In partnership with NASA, Sordal has developed a heat and fire resistant foam that keeps materials cool even under extremely high temperatures. NASA's Langley Research Center needed a light weight foam that could retain its structural integrity under temperatures ranging from -423 to +482 °F for its second-generation Reusable Launch Vehicles (space vehicles designed to perform multiple missions). The foam has proven to be a practical selection for hull insulation in ships, but it has numerous consumer safety applications such as fire-resistant construction materials. When used as insulation on aircraft, Sordal's foam can help reduce aircraft weight, saving fuel and reducing air pollutants.